

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL PACKAGE SERVICE (FCPS)  
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-22 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 4  
(July 23, 2021)**

The United States Postal Service hereby provides its responses to Questions 1-22 of the Presiding Officer's Information Request No. 4, issued on July 16, 2021. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please refer to USPS-T-1, at 3, lines 10-13, and at 4, lines 1-2. The Postal Service states that “[i]ncreasing FCPS service standards by one and, in some cases, two days, will therefore serve multiple purposes: enabling the Postal Service to transport a greater volume of FCPS mail within the contiguous United States by more reliable surface transportation rather than by air transportation; enabling the Postal Service to better meet the revised service standards; and reducing cost to the Postal Service by favoring the less expensive surface transportation modes.”
  - a. Please estimate the cost incurred to meet the existing FCPS service standards at the actual percent on-time level achieved for Fiscal Year (FY) 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.
  - b. Please estimate the cost that would have been incurred to meet the existing FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions the methodology underlying the calculation of this cost estimate.
  - c. Please estimate the cost that would have been incurred to meet the proposed FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.

**RESPONSE:**

- 1.a. It would appear that this question essentially seeks the estimated total FCPS costs incurred during the years specified, based on what actually occurred during those years when attempting to meet the existing service standards. As such, those estimates would appear to be the FCPS costs reported in the CRA for each of those years.
- 1.b. The Postal Service has not identified any way to provide a meaningful estimate of the additional total FCPS costs that would have been incurred under this counter-factual scenario.
- 1.c. The Postal Service has not identified any way to provide a meaningful estimate of the total FCPS costs that would have been incurred under this counter-factual scenario.

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2. Please refer to Response to Presiding Officer's Information Request No. 1, question 4.a.<sup>4</sup> The Postal Service states that "[a]ctual days to deliver performance metrics were reviewed to determine the target. Based on the proposed service standard changes, plus the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations, a 95 percent target for on-time performance was selected."
- a. Please provide "[a]ctual days to deliver performance metrics" for FCPS for FY 2017 through FY 2020, disaggregated by quarters and annualized for each fiscal year.
  - b. Please identify the source data and explain the methodology and calculation that was used to derive the metrics.
  - c. Please explain what assumptions were made regarding the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
  - d. Please explain what assumptions were made regarding the changes that would be needed to train and align additional staffing to handle expected FCPS volume, deploy additional mail processing equipment to handle expected FCPS volume, and deploy additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
  - e. Please identify and explain any other assumptions made to select the 95 percent on-time target level.

**RESPONSE:**

2.a. Please see, file "POIR No4 Q2 and Q13 - FCPS service perf current vs. proposed(NP).xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10. Note we do not have data for FY17 and FY18 available to support this analysis.

2.b. The source data are from PTR. The methodology used was:

- 1) Data file of existing and proposed service standards by Origin Zip Code3 to Destination Zip Code3 was provided by Logistics Modeling and Analytics and

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<sup>4</sup> Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officers' Information Request No. 1, July 6, 2021 (Responses to POIR No. 1)

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was loaded into a temporary database for use in assigning proposed service standards.

- 2) Each piece was assigned a new and old service standard (existing service standards were recalculated as to back out the extra day for COVID-19)
- 3) Each piece was assigned a new Scheduled delivery date using the existing Effective Start The Clock date.
- 4) Each piece was evaluated for "on-timeness" using the existing Stop the Clock event measured against the old and proposed Scheduled Delivery Date.
- 5) Piece data were then rolled up by quarter/year/Svc Std/Sales Source Code.

**2.c.** The assumptions were as follows: addressing staffing shortages and package processing capacity constraints, combined with the service standard changes, would allow the Postal Service to achieve 95 percent on-time delivery.

**2.d.** Assumptions made included the following: new employees would be on-boarded and trained per the current process. The Postal Service has a team and resources dedicated to acquiring and deploying new equipment, and a team dedicated to the acquisition of space. It is unclear whether these normal operational assumptions would impact the 95 percent target.

**2.e.** No other assumptions were made in selecting the 95 percent target.

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- 3.** Please refer to Responses to POIR No. 1, questions 7.b. and 7.c.
- a. Please confirm that the surface utilization for FCPS can be isolated. If confirmed, please provide surface utilization data for FY 2017 through FY 2020 annually for each FCPS product, disaggregated by quarter. If not confirmed, please discuss the challenges of isolating surface utilization for FCPS with a reasonable degree of confidence using scans.
  - b. Has the Postal Service developed an estimate of the change in surface transportation capacity utilization for the change in service standards for FCPS in isolation? If so, please provide this estimate.

**RESPONSE:**

**3.a.** The Postal Service does not attempt to isolate surface utilization for FCPS (or for any other product) using scans. Instead, as indicated in the Witness Hagenstein's response to Question 7 of POIR No. 1 (filed on July 6, 2021), utilization percentages are calculated based on containers that can include all mail products. Nonetheless, it is possible to take the quarterly overall Inter-SCF utilization percentages thusly derived, and apply to those percentages the FCPS share of cubic foot miles, as estimated from TRACS data, from the corresponding quarter. The table in file "POIR 4 Q3a - FCPS Utilization-NonPublic.xlsx", filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10, presents the results of that procedure for each quarter of FY 2017 through FY2020.

**3.b.** The baseline model showed 18 percent total utilization from FCPS. After introducing the proposed service standards, this increased to 22 percent.

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- 4.** Please refer to Response of The United States Postal Service to Question 8.B of Presiding Officer's Information Request No. 1, July 7, 2021. Please identify the reason(s) leading to the utilization of charters to increase from FY 2015 to FY 2016 and from FY 2017 to FY 2018.

**RESPONSE:**

Please see the response filed under seal as part of USPS-LR-N2021-2-NP10.

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- 5.** Please refer to Responses to Presiding Officer's Information Request No. 2, question 10 describing the process for developing the initial service standards for FCPS.<sup>5</sup>
- a. Please refer to the nation-wide goal of "planned Clearance Time for Outgoing Secondary operations at the origin is 0030." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new proposal contains a new processing goal for Outgoing Secondary parcel operations.
  - b. Please refer to the assumption that "90 minutes for manual processing and dispatch would allow dispatching as early as 0200." Does this assumption still hold true for FCPS? If not, please discuss what changed, when, and how the new proposal adjusts it to be a more realistic assumption.
  - c. Please refer to the nation-wide goal of "planned departure from origin at 0200 and arrival prior to 0800 determined the 6-hour reach." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new processing goal for the clearance of outgoing parcels.

**RESPONSE:**

**5.a.** The planned clearance time for Outgoing Secondary letter and flat processing is 00:30. The planned clearance time for Outgoing package processing is 01:15. The processing clearance time for letters, flats, and packages did not change. The proposed service standard change is designed allow for service performance improvement and transportation efficiencies. The proposal does not incorporate changes to mail processing clearance times; however, it will allow later dispatch times from origin allowing for later clearance.

**5.b.** No, the 90 minutes is assumed for letter and flat manual processing and dispatch operations, not FCPS. Letters and flats are processed on a greater number of machines, sorted to a greater number of separations, and typically require a tray

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<sup>5</sup> Responses of the United States Postal Service to Questions 1-15 of Presiding Officers' Information Request No. 2, July 8, 2021 (Responses to POIR No. 2).

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sortation and containerization prior to dispatch. Although package processing has a manual component, the dispatching component is typically less complicated. Also, even though FCPS shares the same service standards as single-piece First-Class letters and flats, FCPS has a later Critical Entry Time at destination which allows for later dispatching.

**5.c.** The original service standards for 2-day FCM were based on a 02:00 dispatch and CET at destination by 08:00 for letters and flats. The CET at destination for packages is later than letters and flats. The package operating plan was not the determining factor in the prior service standard development; however, it was assumed that package processing would be capable of achieving the dispatches as early as 02:00. Note, the 02:00 dispatches would have only applied to 2-day pairs near the 6-hour transit window.



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- 6.** Please refer to the Response to POIR No. 2, question 10, describing the process for developing the proposed service standards for FCPS.
- a. What is the Postal Service's confidence level that it can achieve an 8-hour reach for FCPS 2-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
  - b. Accounting for the planned Critical Entry Time (CET) for packages that would be 12-hours later than the CET for letters and flats and allowing up to eight hours for routing and transfer of volumes through a Surface Transfer Center (STC), what is the Postal Service's confidence level that it can achieve a 32-hour reach for FCPS 3-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
  - c. Given an additional six hours for additional transfers and to help mitigate service impacts from transit delays, what is the Postal Service's confidence level that it can achieve a 50-hour reach for FCPS 4-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?

**RESPONSE:**

**6.a.** The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 2-day pairs with an 8-hour reach. Several factors will influence the capability beyond the proposed service standard change, including the processing capability. Mail Processing is working on addressing staffing, space, and capacity constraints.

**6.b.** The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 3-day pairs up to a 32-hour reach. The 32-hour reach reduces the current reach for 3-day pairs and allows the Postal Service to route volume in a way that balances cost effectiveness with service capability.

**6.c.** The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 4-day pairs up to a 50-hour reach. The proposed service standards enable the Postal Service to route volume in a way that balances cost effectiveness with service capability.

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7. Please refer to Responses to POIR No. 2, question 8.c. Please confirm that no additional products are impacted by the proposal. If not confirmed, please list all additional affected products.

**RESPONSE:**

Confirmed.

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8. Please refer to Responses to POIR No. 2, question 14.b. The Postal Service states that "Special Service Code (SSC) 401 is an optional code employed to identify [the] pharmaceutical volume. FCPS volume with this SSC in the data set used to identify pharmaceutical volume between pairs and determine the percentage impacted by the proposed service standard change."
- a. Please describe Special Service Codes generally, how they are used by mailers, and how they are used by the Postal Service.
  - b. Please explain whether SSCs are unique to each product or class of mail, and whether the same SSCs are used for different products.
  - c. Please define SSC 401.
  - d. Does SSC 401 also refer to FCPS containing non-prescription medications (e.g., medicines available without a prescription)? Is there a separate code for non-prescription medications?
  - e. Does SSC 401 also refer to FCPS containing medical devices? Is there a separate code for medical devices?
  - f. Does SSC 401 also refer to FCPS containing any content shipped by a pharmaceutical mailer? Is there a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS?
  - g. Who has the option to apply SSC 401 to FCPS? Is it solely at the discretion of Postal Service personnel, or is it applied by the shipper? If the answer is the former, please identify which Postal Service personnel (collections, processing, delivery, or other) has the option to apply SSC 401.
  - h. How is SSC 401 applied to FCPS? Please describe the process and criteria for application.
  - i. Is SSC 401 based on a scan(s)? If yes, which scan(s)/processing operation(s) is SSC 401 applied to FCPS? If it is possible to apply SSC 401 at multiple scan point(s)/processing operation(s), which is most commonly applied?
  - j. Is SSC 401 only for Full-Service Intelligent Mail Package Barcode (IMpb) FCPS?
  - k. Is SSC 401 applied to FCPS using only basic IMpb?
  - l. Is SSC 401 reflected on the Shipping Services File (SSF)<sup>6</sup> for FCPS?
  - m. What special handling does FCPS coded SSC 401 receive under the existing standards?

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<sup>6</sup> See United States Postal Service, *Postal Pro: IMpb Fact Sheet*, available at <https://postalpro.usps.com/shipping/impb/impbfactsheet>.

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- n. What special handling would FCPS coded SSC 401 receive under the proposed standards?
- o. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the existing standards?
- p. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the existing standards?
- q. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the proposed standards?
- r. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the proposed standards?
- s. Please provide the pharmaceutical volumes in other products identified using SSCs, disaggregated by product and SSC as available for FY 2019 and FY 2020.

**RESPONSE:**

**8.a.** Special service codes (SSCs) are used to provide features that enhance products and services (for example longer tracking data retention), identify content, assess fees (where applicable) and enable reporting and analysis. SSCs identify extra services for which optional services, such as insurance coverage, restricted delivery, adult signature, evidence of mailing and return receipt have been added to a product. Some SSCs identify the general contents of a package as with pharmaceutical, medical supplies, fragile, or perishable goods. Special Service Code is also referenced as Extra Service Code (ESC) in USPS documentation.

Mailers/shippers use Special Service Codes to request or apply an optional service or product feature to an item and/or to identify content. For services that require payment the mailer/shipper provides the code and pays the fee. Mailers/shippers place SSCs in the appropriate fields of a shipping services or shipping partner file.

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The Postal Service uses Special Service Codes to provide features to the product (how long to retain the data, whether to collect a signature), to assess and collect fees (depending on the SSC), to assist in issue resolution and to enable reporting and analytics.

**8.b.** Are SSCs unique to each product or class of mail: No, SSCs are not unique to each product or class of mail. SSCs can be used for multiple classes of mail as defined in the Mail Classification Schedule (MCS).

Are the same SSCs used for different products: Yes, the same SSCs are used for different products within the use defined by the Mail Classification Schedule.

**8.c.** Special Service Code 401 is used to identify pharmaceutical shipments. When Special Service Code 401 is included in electronic package level detail data, this allows the Postal Service to identify packages as pharmaceutical shipments, include these items in reporting and assist with issue resolution. This Special Service Code also ensures that all data for the package is kept for 11 years, which exceeds the 10-year retention period required by many of the Pharmaceutical customers shipping with USPS. Additionally, use of the Pharmaceuticals Special Service Code provides customers with the ability to electronically obtain a Signature Proof of Delivery or Tracking Proof of Delivery letter, depending on the signature service for that package. Proof of Delivery letters can be accessed either through the USPS Tracking website on USPS.Com, enrollment in the Bulk Proof of Delivery (BPOD) program, or via a subscription process. SSC 401 can be used with competitive products only (Priority Mail, Priority Mail Express, First-Class Package Service, Parcel Select, Parcel Select Lightweight). SSC 401 can also be applied to Priority Mail Express and Priority Mail

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Open & Distribute containers when the nested contents are all pharmaceuticals. Only shippers with a Negotiated Service Agreement (NSA) and authorization from the Postal Service to use SSC 401 may include it in their electronic data.

**8.d.** Does SSC 401 also refer to FCPS containing non-prescription medications? No, SSC 401 does not refer to FCPS containing non-prescription medications. Is there a separate code for non-prescription medications? No, there is not a separate code for non-prescription medications.

**8.e.** Does SSC 401 also refer to FCPS containing medical devices? No, SSC 401 does not refer to FCPS containing medical devices. Is there a separate code for medical devices? Yes, there is a separate SSC for medical devices. Special Service Code 402 is for Medical Supplies.

**8.f.** Does SSC 401 also refer to FCPS containing any content shipped by a pharmaceutical mailer? No, SSC 401 is not for any content, it is specifically to be used for pharmaceutical products. The shipper is responsible for providing SSC 401 in the electronic data only for those packages that contain prescription pharmaceuticals. Is there a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS? No, there is not a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS.

**8.g.** Who has the option to apply SSC 401 to FCPS? Authorized pharmaceutical mailers/shippers apply SSC 401 in the electronic data. The pharmaceutical mailers/shippers are authorized to use SSC 401 through a Negotiated Service Agreement from the Postal Service. Is it solely at the discretion of Postal Service personnel, or is it applied by the shipper? No, application of the SSC 401 is not solely

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at the discretion of Postal Service personnel. The authorized mailer/shipper applies the SSC 401 in the electronic data in a shipping services/shipping partner file.

**8.h.** The SSC 401 is applied to FCPS when an authorized mailer/shipper with an NSA agreement electronically provides SSC 401 in the proper position in a Shipping Services or Shipping Partner file. As part of electronically processing the shipping file data the Postal Service stores SSC 401 with each tracking number for the respective packages.

**8.i.** No, the SSC 401 is not based on a scan.

**8.j.** No, SSC 401 is not limited to full service. The dominant barcode in Full Service is the Intelligent Mail Barcode (IMb), but it is not exclusive. There are limited use cases that involve IMpb in conjunction with full service. However, full service is not a limitation for SSC 401.

**8.k.** No, there is no 'Basic' version of IMpb, there is only one version.

**8.l.** Yes, an authorized mailer/shipper includes SSC 401 in the electronic data in a shipping services or shipping partner file and it is electronically reflected in the data transmitted to USPS for the packages.

**8.m.** SSC 401 does not affect how packages are handled in processing.

**8.n.** There are no changes to how the packages with SSC 401 are handled under the proposed standards.

**8.o.** The mailer/shipper has the same visibility for an FCPS item with SSC 401 as packages of the same product class and preparation that travel through the postal network.

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**8.p.** The addressee has the same visibility through consumer channels for an FCPS item with SSC 401 as packages of the same product class and preparation that travel through the postal network.

**8.q.** There is no change to the visibility of items with SSC 401 for mailers/shippers under the proposed standards.

**8.r.** There is no change to the visibility of items with SSC 401 for addressees under the proposed standards.

**8.s.** A pdf associated with this response is included in USPS-LR-N2021-2-NP10.



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- 9.** Assuming that the Postal Service implements its proposal on or about October 1, 2021, as planned, does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level for FY 2022?
- a. If yes:
- i. Please discuss the basis that supports the Postal Service's assertion.
  - ii. Please discuss the level of confidence that the Postal Service has with its assertion.
- b. If not:
- i. Please explain the reason for the Postal Service's answer.
  - ii. Does the Postal Service plan to set an interim target that is lower than 95 percent on time for FY 2022? If yes, what is the interim target?

**RESPONSE:**

**9.** No, the Postal Service does not expect to meet or exceed the 95 percent target level for FY 2022.

**9.a.** N/A

**9.b.i.** The service standard change alone will not make the Postal Service capable of achieving the target. The implementation process of transportation changes and processing changes will progress into and throughout FY 2022. While significant shifts in transportation modes are expected to take place near the time of the proposed implementation, the adjustments to the current surface network will evolve through FY 2022. Package processing capacities are currently being addressed with additional space and machines; however, deployment of new package sorters is expected to extend through FY 2022.

**9.b.ii.** No, the Postal Service has set the target of 95 percent and will monitor progress towards achieving the goal as the transportation and processing network changes are implemented.

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- 10.** Has the Postal Service done any operational testing in the field of the proposed expanded reach of the 2-day service standard for FCPS? If yes, please describe the operational field test and the scale of the operational field test.

**RESPONSE:**

The Postal Service has not specifically tested the expanded reach of the 2-day service standard for FCPS.

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- 11.** Is any operational testing in the field planned for the expanded reach of the 2-day service standard for FCPS before implementing the proposed changes? If yes, please describe the planned operational field test and the scale of the planned operational field test? If none is planned, why not?

**RESPONSE:**

There is currently no plan to conduct operational testing prior to implementing the extended 2-day range of FCPS. Currently, the Postal Service is assessing any transportation changes that might be required to extend the reach by two hours. Once the assessment is complete, it will be decided if operational testing is necessary.

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- 12.** Please refer to USPS-T-1 at 1 n.4. The Postal Service states that “[e]ffective April 17, 2020, in response to issues concerning the COVID-19 pandemic, the Postal Service included an additional transportation day for FCPS.”
- a. How will the operational process differ if the proposal is implemented on or after October 1, 2021, compared to now?
  - b. Please confirm that if the proposal is implemented on or after October 1, 2021, doing so will replace (rather than add to) the additional transportation day added to the existing service standards for FCPS due to the COVID-19 pandemic.
    - i. If confirmed, when would the official changeover be implemented?
    - ii. If not confirmed, please state when the additional transportation day due to COVID-19 will be eliminated.

**RESPONSE:**

**12.a.** The operational process will not differ if the proposal is implemented on October 1, 2021, compared to now.

**12.b.** Not confirmed.

**12.b.i.** N/A

**12.b.ii.** The Postal Service cannot determine when the additional transportation day due to COVID-19 will be eliminated. The decision to eliminate the COVID-19 day will depend on operational capability.

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- 13.** For each fiscal year, please estimate the percentage by which on-time service performance for FCPS would have increased if the proposed standards had been in effect for FY 2017 through FY 2020. Please provide results for total FCPS volume, as well as results disaggregated by commercial versus retail FCPS.

**RESPONSE:**

Please see file "POIR No4 Q2 and Q13 - FCPS service perf current vs.

proposed(NP).xlsx", filed on today's date as part of Library Reference USPS-LR-N2021-

2-NP10. Note we do not have data for FY 2017 and FY 2018 available to support this analysis.

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- 14.** Please refer to the discussion of CETs for FCPS appearing at USPS-T-1 at 8, lines 7-11, and at 14, lines 2-21.
- a. Under the proposed changes, please specify if CETs for facilities that process FCPS may differ based on location or if a national CET will be set.
  - b. Under the proposed changes, which Postal Service personnel/office(s) will be responsible for setting CETs for facilities that process FCPS?
  - c. What metrics will those personnel use to decide if a CET needs to be modified?
  - d. Will a specific threshold(s) or other criteria be used (*e.g.*, if performance drops lower than a predetermined percent on-time level) that will trigger re-evaluation of CETs? If so, please identify the threshold(s) or other criteria.

**RESPONSE:**

- 14.a.** This proposal does not include changes to national CETs.
- 14.b.** The national CETs are not impacted by this proposal.
- 14.c.** N/A
- 14.d.** N/A

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- 15.** Please refer to Docket No. N2021-1 Response to POIR No. 3,<sup>7</sup> question 9. Please also refer to the Response to POIR No. 2,<sup>8</sup> question 4. The Postal Service provides the following values for the actual Fiscal Year (FY) 2020 inter-Sectional Center Facility (SCF) surface network, adjusted to exclude transportation outside the model's scope in both the Docket No. N2021-1 proceeding and in the instant proceeding.

Number of daily trips		Number of daily mileages		Average trip distance		Capacity utilization	
N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2
6,308	9,616	2,406,448	1,966,466	381 miles	204 miles	39%	45%

- a. Please explain whether the transportation deemed outside the model's scope differs between the modeled networks that are the subject of the Docket No. N2021-1 proceeding and of the instant proceeding. In the provided explanation, please address, specifically, why the actual network, adjusted for outside of scope transportation, in the instant proceeding, includes about 50 percent more trips, about 20 percent fewer network mileages, and its average trip is about 50 percent shorter in distance.
- b. Please confirm that all modeling assumptions, constraints, site-specific operational nuances not accounted for in the modeling, and optimization instructions, are the same in the modeled networks subject of the two proceedings referenced in this question. If not confirmed, please list all differences (other than differing service standards and Critical Entry Times).

**RESPONSE:**

**15.a.** The analysis pulled for Docket No. N2021-1 was extracted directly from the USPS Surface Visibility (SV) database for the month of March 2021 alone. The data referenced in N2021-1 was filtered to retain trips that have at least one stop at a facility that was in the model. The mileage was estimated by summing the mileage for all legs

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<sup>7</sup> Docket No. N2021-1, Responses of the United States Postal Service to Questions Presiding Officer's Information Request No. 3, May 26, 2021 (Docket No. N2021-1 Response to POIR No. 3).

<sup>8</sup> Responses of the United States Postal Service to Questions 1-15 of Presiding Officer's Information Request No. 2, July 8, 2021 (Response to POIR No. 2).

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for all trips and averaged over the month. The count of trips presented in N2021-1 is the number of unique Route-Trip combinations that operated on any given day averaged over the entire month. The average trip distance from N2021-1 is based on the total mileage divided by the total trips for the entire month. The Capacity Utilization is based on the load percentage metrics from SV across all the trips averaged for the entire month. N2021-2 is from TCSS FY 2020 Q4 and the overall utilization is based on TRACS. TCSS varies from SV in the following ways: TCSS provides scheduled transportation and mileage only, whereas SV captures actual transportation operated (scheduled, extras, and omitted service). In addition, SV data provides some level of detail around the types of mail loaded on each trip. The accuracy of SV data relies on scanning compliance to capture trips, utilization, and mileage correctly. TCSS will assume the scheduled transportation ran as expected with the scheduled miles.

**15.b.** Confirmed. Outside of modeling 6 days of data, modeling assumptions and constraints were not changed between model iterations. As stated, the only differences introduced were the proposed new service standards for FCPS.



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- 16.** Please refer to the Response to POIR No. 1,<sup>9</sup> question 9. Please also refer to Library Reference USPS-LR-N2021-2-NP5, July 6, 2021, Excel file "Pref and NDC combined networks - potential benefit.xlsx," tab "NDC trip reduction." Please confirm that the Postal Service calculates the 28 percent reduction in inter-Network Distribution Center (NDC) trips/mileages by assuming an increase in capacity utilization from the current 47 percent to a target capacity utilization of 65 percent, rather than by analyzing relevant mail volumes, and their respective operating window constraints. If not confirmed, please explain. If confirmed, please explain why such analysis produces a realistic estimate of future savings from the consolidation of the two networks.

**RESPONSE:**

Confirmed. The analysis was provided as a high-level estimate of potential opportunity to reduce costs by sharing one surface network to move both NDC and First-Class products. It is reasonable to assume a similar network will need to remain in the future to support the current NDC products. It is also reasonable to assume the ability to share the surface network with both current end-to-end NDC products and First-Class mail will improve utilization of the end-to-end Marketing Mail, Periodicals, and Retail Ground network. Additional modeling will be initiated later as the planning around the NDC to RDC develops. Noting this potential benefit was intended to emphasize how the proposed service standard change will enable future network efficiencies.

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<sup>9</sup> Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer's Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

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17. Please refer to the Response to POIR No. 2, question 2.b. The Postal Service explains that the discrepancy between the baseline network mileages and the distribution of the actual FY 2020 surface transportation costs between inter-P&DC, inter-Cluster, and inter-Area categories, was caused “in part” by not including “feeder to aggregate” trips/mileages in the presented summary of its analysis. The Postal Service further explains that it estimated the mileages for the “feeder to aggregate” trips outside of the model. Please provide additional information related to the “feeder to aggregate” transportation.
- a. Please provide the number of daily “feeder to aggregate” trips for each of the inter-P&DC, inter-Cluster, and inter-Area contract category and explain why this transportation was estimated outside the model. Please also explain whether the “feeder to aggregate” transportation represents inter- or intra-SCF transportation and whether it is provided by contracted or postal-owned vehicles.
  - b. The table below is a summary of the percentages of total FY 2020 surface transportation costs and baseline network mileages, as originally filed and as updated by the Postal Service to include “feeder to aggregate” transportation.

	Baseline network mileages, as originally filed	Baseline network which includes “feeder to aggregate” mileages	FY 2020 surface transportation costs
Inter-Area	78 %	75 %	72 %
Inter-Cluster	21 %	22 %	16 %
Inter-P&DC	1 %	4 %	12 %

The Postal Service explains that the omission of the “feeder to aggregate” transportation explains the discrepancy between the FY 2020 surface transportation costs and the modeled baseline network mileages (as originally filed) “in part.” To the extent possible, please explain the remaining discrepancy between the costs and the revised baseline network mileages.

**RESPONSE:**

- 17.a. The identified ‘feeder to aggregate’ trips, separated by category, are as follows:

Category	Mileage	Trips
Inter-Area	5,482	39
Inter-Cluster	30,863	274
Inter-P&DC	47,983	495
<b>Grand Total</b>	<b>84,328</b>	<b>808</b>

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Feeder to aggregate trips are both PVS and HCR, however the trips identified in the table above are based on HCR.

**17.b.** The baseline model is an optimized solution and will produce a different trip distribution than the current-state. The model optimizes routings by utilizing multi-origin to single-destination routings and single-origin to multi-destination routings. The model produces routings that combine the inter-P&DC routings as trip legs, or part of inter-Cluster and inter-Area trips. In addition, the model does not include trips to move volumes to/from THS, trips to move MTE between facilities, or plant-to-plant shuttle trips to move volumes within a campus based on processing responsibilities.

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- 18.** Please refer to Library Reference USPS-LR-N2021-2-NP2, revised July 13, 2021, Excel file "10\_3digit\_FCPS\_Private\_REV\_7.13.21.xlsx" (10\_3digit FCPS Excel file), tab "All Pairs." Please provide an excel file, which includes all data from the above referenced excel file, and the following additional information:
- a. Distance, in miles, for each "ONASS" and "DNASS" pair (OD Pair),
  - b. Drive time, in hours, for each OD Pair,
  - c. First-Class Mail (FCM) volume for each OD Pair, currently included in the 10\_3digit FCPS Excel file (*i.e.*, for those origin and destination facilities which have processing and sortation capabilities for all mail shapes),
  - d. For OD Pairs currently included in the 10\_3digit FCPS Excel file, for which either the origin, the destination, or both the origin and destination facilities do not have processing and sorting capabilities for all mail shapes, please provide additional rows of data corresponding to 3-digit origin to 3-digit destination ZIP Code pairs,
  - e. Current FCM and proposed FCM service standard,
  - f. Current FCM and proposed FCM transportation mode.

The provided Excel file should account for total modeled daily FCM, FCPS, and pharmaceutical volumes.

**RESPONSE:**

Please see, file "POIR No4 Q18 Final.xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10.

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- 19.** Please refer to the Response to POIR No. 2, question 13.c. The Postal Service explains that each origin facility across the country makes separations, by product, to destination facilities. The Postal Service further clarifies that these separations are limited by the origin sortation equipment/capability and by sortation equipment/capability at each destination and can lead to special handling and routing of mail between the origin P&DC, parent Area Distribution Center (ADC), and the destination SCF.
- a. Please explain whether each OD Pair, provided in the 10\_3digit FCPS Excel file referenced in question 18 above, might represent one or more routings, depending on separation and shape-based processing capabilities of origin P&DCs and destination SCFs.
  - b. Please explain whether the origin sortation equipment/capabilities currently prevent pairing of FCM and FCPS volumes at origin and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when such pairing would continue to not be possible, following the implementation of the proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.
  - c. Please explain whether the destination sortation equipment/capabilities currently prevent transporting FCM and FCPS volumes on the same trips and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when shared transportation would continue to not be possible following the implementation of the proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.
  - d. Following the Postal Service's response to question b. above, please describe the process the Postal Service will use to pair volumes processed in separate origin facilities. In the provided explanation, please include information on additional trips and mileages, as well as additional time requirements pairing of volumes from separate origin facilities would involve, and describe how these additional requirements were accounted for in the modeling.
  - e. Following the Postal Service's response to question c. above, please describe the process the Postal Service will use to enable sharing of truck space for volumes processed in one origin facility, but destined to separate destination facilities, on the basis of destination sites' sortation equipment/capabilities. Please describe how the associated additional network requirements were accounted for in the modeling.

**RESPONSE:**

19.a. Each pair might represent one or more routings between Origin and destination SCF, with some of the pairs overlapping onto the same routings. The different CETs for

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the products, cubic foot space requirements, and the location where the products are processed are factors in determining if products are paired.

19.b. In the current network, some capacity constraints of package processing may drive separate routings of mail and packages. Outside of timing limitations, the model was not restricted in any way that would prevent products from routing together, and it permitted products to be routed separately if the model determined it was more efficient. The model did not account for the late processing of packages due to the impact from the COVID pandemic. The organization is in the process of addressing the package processing issues by deploying additional equipment.

19.c. The destination sortation equipment / capabilities does not impact the routing. The different CETs for the products, cubic foot space requirements, and the location where the products are processed are factors in determining if products are paired.

19.d. The model assesses the solutions that require the least miles within the constraints of the model as described in the USPS-T-1 testimony. Volumes are paired via multi-stop routings that pick volumes from multiple origin facilities to a single destination. Also, the model consolidates volumes in origin aggregate sites fed by multiple origins, where volume is consolidated and/or cross-docked onto outbound trips. STCs are also consolidation points where multiple origin facilities with all products can be dispatched onto one outbound trip. All of these options are leveraged in the model and used when the model deems it the most efficient way to move the volume. The expanded transit windows enabled by the proposed service standard changes increase the opportunities to consolidate and pair volumes.

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19.e. Load sequencing is permitted where an origin loads volumes for up to three destinations to allow pairing of shape based volumes destined to separate facilities. As described above in response d, STCs also serve as consolidation points where an origin can load volumes for multiple facilities for improved utilization.

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**20.** Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-LR-N2021-2-NP10.



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- 21.** Please confirm that the base year cost savings from shifting FCPS volumes from air to surface transportation include all charter flights occurring during the base year (FY 2020). If not confirmed, please explain.
- a. If confirmed, please explain the rationale for calculating cost savings using an outlier year as a base year. Additionally, please refer to USPS-T-2, at 4, lines 8-12. The Postal Service states "...witness Hagenstein projects a range of possible percent capacity reductions in charters. This percent reduction is multiplied by the charter cost in order to calculate the expected savings from charters. Charters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic."
  - b. Please confirm that additional cost savings projected for the proposed changes from charter flights are added on to the base year amount. Please explain the discrepancy between charter flight costs in the base year and the additional savings projected.

**RESPONSE:**

Not confirmed. The baseline *costs* include all costs of charter flights occurring in FY 2020. However, as discussed in greater detail in the nonpublic version of this response filed under seal as part of USPS-LR-N20201-2-NP11, the cost *savings* from shifting FCPS volumes from air to surface only include a portion of the total charter flight costs. The reduction associated with this portion corresponds to the reduction in capacity on FedEx Day Turn, which is the cost pool that includes the charter flight costs.

- a. As described in my testimony USPS-T-2 at 4, lines 10-15:

Charters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic. However, as witness Hagenstein describes, given the continued high levels of network package volumes, even with commercial air at full capacity, absent the proposed changes in service standards, charters would continue to be required to handle this package volume.

It was determined that although FY 2020 saw a higher use of charters as compared to prior fiscal years, it was still reasonable to use FY 2020 costs

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as the baseline. This is because charters would continue to be required to handle the higher level of network package volume. The average monthly charter cost for FY 2020 was \$20.5 million. Commercial Air capacity had largely returned to pre-pandemic levels by August 2020. The average monthly charter cost for the period of August 2020 through March 2021 was \$19.3 million. See USPS-LR-N2021-2-NP5. This suggests that although during the peak of the pandemic charter costs were substantially higher than previously experienced, using the FY 2020 costs as a whole is still reasonable to project anticipated savings for future years. The pre-pandemic lower charter costs, when averaged together with the peak-pandemic charter costs, represent a reasonable approximation of what the post-pandemic charter costs would be, in the absence of the proposed changes.

- b. Some savings on charter expenses are already included in the savings that are calculated as a result of witness Hagenstein's extensively modeled air capacity reduction. As discussed in greater detail in the nonpublic version of this response filed under seal as part of USPS-LR-N2021-2-NP11, charter costs are included in the total FedEx Day Turn expenses, off of which a percentage reduction is calculated. See USPS-LR-N2021-2-NP1, FCPS Transportation Savings-Nonpublic.Rev.7.2.2021.xlsx, tab "Air," cell E37. As more volume is expected to shift out of the air network, there will naturally be less demand for charters to supplement this network.

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However, additional savings on charters are also expected, above and beyond this natural decrease of charter expenses in conjunction with other air network expenses. Witness Hagenstein projects a 14 to 48 percent reduction in total charter capacity as a result of this proposed initiative. In order to avoid double counting, the savings that are already included in the air savings as a result of the model are subtracted out from the additional projected savings in charter costs. As a result, instead of calculating the savings resulting from a 14 to 48 percent reduction in charter capacity, a smaller reduction is calculated. The resulting \$15 to \$98 million in charter savings is thus additional to the charter savings that are already included in the total air savings calculation.

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**22.** Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-LR-N2021-2-NP11.